

HONORABLE JAMES L. ROBART

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

MICROSOFT CORPORATION,
Plaintiff,

v.

MOTOROLA, INC., et al.,
Defendants.

MOTOROLA MOBILITY, INC., et al.,
Plaintiffs,

v.

MICROSOFT CORPORATION,
Defendant.

No. C10-1823-JLR

SECOND REVISED JOINT STATUS
REPORT

Microsoft Corporation ("Microsoft"), and Motorola Solutions, Inc. (formerly Motorola, Inc.), Motorola Mobility, Inc., and General Instrument Corporation (individually and collectively "Motorola"), by and through their counsel below, hereby submit this Supplemental Joint Status Report and proposed Discovery Plan pursuant to Rules 16 and 26(f) of the Federal Rules of Civil Procedure, Rules 16 and 26 of the Local Civil Rules for the Western District of Washington, Judge Robart's Standing Order for Patent Cases, the Local Patent Rules for the

SECOND REVISED JOINT STATUS REPORT - 1

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1 Western District of Washington, and the Court's Order on the Parties' motions to dismiss (ECF
 2 No. 66), and the Court's Minute Entry of June 3, 2011. This Supplemental Joint Status Report
 3 addresses the Parties' proposed plans for coordinating both Microsoft's affirmative RAND-
 4 based claims that were initially filed in this action and the claims and counterclaims asserted
 5 by the Parties in *Motorola Mobility, Inc., et al. v. Microsoft Corporation*, 2:11-cv-00343-JLR,
 6 which was consolidated with this action pursuant to the Court's June 1, 2011 Order.

7 1. Statement of Case

8 Microsoft's Statement:

9 Microsoft asserts both claims and counterclaims for breach of contract and promissory
 10 estoppel against Motorola arising out of Motorola's violations of its RAND obligations to the
 11 International Electrical and Electronics Engineers ("IEEE"), International Telecommunications
 12 Union ("ITU"), and Microsoft. Microsoft has also asserted counterclaims for patent
 13 infringement of two patents by Motorola.

14 Microsoft's RAND-based claims/counterclaims involve allegations by Microsoft that
 15 the Motorola defendants have breached obligations they undertook to offer licenses to their
 16 purportedly essential or necessary patents on RAND terms and conditions. When Motorola
 17 chose to participate in the industry standard-setting process for developing both the 802.11
 18 WLAN wireless internet standard and the H.264 video compression standard, it agreed to offer
 19 licenses on RAND terms to Microsoft and other prospective licensees for any patents that are
 20 necessary or essential to practice the respective standards.

21 Motorola has identified a number of patents as allegedly essential or necessary to both
 22 the WLAN wireless standard and the H.264 video compression standard (in fact, Motorola's
 23 complaint is based on Microsoft's alleged infringement of three of these H.264-related
 24 patents). Microsoft asserts that Motorola has not complied with its obligation to offer
 25

1 Microsoft a license to these patents on RAND terms and conditions. Instead, Motorola has
2 expressly conditioned any such license on payment of an exorbitant, discriminatory, and
3 unreasonable royalty. Microsoft's position is that Motorola's demand does not comply with
4 the obligations it undertook when participating in the standard-setting process.

5 Microsoft has also alleged that the complaint Motorola filed before the ITC and the two
6 complaints Motorola Mobility and General Instrument filed in Federal District Court for the
7 Western District of Wisconsin on November 10, 2010 (one of which was then transferred to
8 this Court and consolidated with this Action, and one of which has been stayed in light of the
9 ITC Action), in which these defendants seek injunctive relief in addition to damages, violate
10 Motorola's contractual commitments to the IEEE, ITU, and Microsoft.

11 In their complaint, Motorola Mobility and General Instrument seek to enforce against
12 Microsoft three patents that they assert are necessary or essential to implement the H.264
13 standard and which they were, therefore, obliged — but failed — to offer to license to
14 Microsoft on RAND terms and conditions. These patents were identified in Motorola's list of
15 patents and pending applications attached to Motorola's October 29, 2010 demand letter to
16 Microsoft, which, *inter alia*, formed the basis for Microsoft's contract and estoppel claims
17 relating to the H.264 standard in Microsoft's complaint.

18 Motorola has refused to offer Microsoft a license to the patents Motorola identified as
19 essential to the 802.11 and H.264 standards on RAND terms and conditions. Instead, Motorola
20 has demanded royalty payments that are wholly disproportionate to the royalty that the asserted
21 patents should command under any reasonable calculus and have initiated three separate
22 actions to, *inter alia*, enjoin Microsoft from practicing patents Motorola claims are essential.

23 Motorola's obligations to license its purportedly essential patents to Microsoft on
24 RAND terms and conditions can and should be resolved before engaging in the complex,
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1 protracted and expensive patent litigation that those commitments were designed to avoid.
 2 Resolution of the RAND issues presented in this case can be accomplished efficiently, and
 3 potentially in such a way that further analysis of Motorola's patent claims can be significantly
 4 narrowed or avoided entirely.

5 Microsoft has asserted patent infringement counterclaims to Motorola's complaint.
 6 Microsoft asserts that Motorola Mobility and General Instrument are infringing U.S. Patent
 7 Nos. 6,339,780 (the "780 patent") and 7,411,582 (the "582 patent") by making, using, selling,
 8 offering to sell and/or importing various Android smartphones. The 780 patent is entitled
 9 "Loading Status in a Hypermedia Browser Having a Limited Available Display Area." The
 10 582 Patent is entitled "Soft Input Panel System and Method." Microsoft seeks an injunction
 11 and damages. Motorola Mobility and General Instrument have not yet answered Microsoft's
 12 counterclaims.

13 Motorola's Statement:

14 As a result of consolidation of this action with Civil Action 2:11-cv-00343-JLR, this is
 15 a patent infringement action, and should be treated as such. Although Microsoft couched the
 16 original 1823 action as "a licensing dispute between the parties," that was never the true
 17 situation. Microsoft has never applied for a license, and instead of negotiating for a license
 18 after being contacted by Motorola, brought the original 1823 action in anticipation of the
 19 principal controversy initiated the following day via the now-consolidated 343 action.

20 In this consolidated action, Motorola Mobility and General Instrument assert that
 21 Microsoft infringes three patents, U.S. Patent Nos. 7,310,374 ("the '374 patent"), 7,310,375
 22 ("the '375 patent") and 7,310,376 ("the '376 patent"), by making, using, offering to sell,
 23 selling and/or importing the Windows 7 operating systems for personal computers and Internet
 24 Explorer 9. The '374, '375 and '376 patents are each entitled "Macroblock Level Adaptive
 25

1 Frame/Field Coding For Digital Video Content,” share a common disclosure, and name the
2 same inventors. Motorola Mobility and General Instrument seek permanent injunctive relief as
3 well as damages for the alleged infringement.

4 Microsoft has counterclaimed, asserting two patents against Motorola Mobility and
5 General Instrument: U.S. Patent Nos. 6,339,780 and 7,411,582, accusing Motorola Android
6 smartphones of infringement. Microsoft seeks permanent injunctive relief as well as damages
7 for the alleged infringement.

8 Both Motorola Mobility and General Instrument, on the one hand, and Microsoft, on
9 the other hand, aver that the patents asserted against them are invalid and not infringed, along
10 with other affirmative defenses. One affirmative defense brought by Microsoft, its Fifth
11 Affirmative Defense, asserts the defenses of “license, equitable estoppel and/or waiver.”
12 Microsoft bases these defenses at least in part on the fact that the Motorola patents in suit are
13 or may be “essential” to an industry standard, that Motorola has made statements to the
14 standards body that obligate it to grant a RAND license to Microsoft, and that Motorola has
15 breached that alleged promise.

16 Microsoft has also couched this RAND affirmative defense in the form of two
17 additional counterclaims, one for breach of contract and one for promissory estoppel.
18 (Microsoft also brought its duplicative anticipatory separate action (the “original” 1823 action)
19 asserting these two causes of action, which the Court has consolidated with the patent action
20 and which should can now be dismissed as duplicative). In response to the RAND
21 counterclaims, Motorola Mobility and General Instrument, joined by Motorola Solutions, Inc.,
22 have counterclaimed for declarations that they have not breached any alleged RAND promises,
23 and that Microsoft has repudiated any right to benefit from such alleged promises.
24
25

1 Of note is the fact that Motorola is asserting five additional patents against Microsoft's
 2 Xbox product in the International Trade Commission, *In re Certain Gaming & Entertainment*
 3 *Consoles, Related Software, & Components Thereof*, ITC Investigation No. 337-TA-752. Four
 4 of those patents are or may be essential to an industry standard. Microsoft's RAND
 5 counterclaims in the present action make the same assertions against these patents, alleging
 6 entitlement to a RAND license, breach of contract and promissory estoppel. There is also a
 7 parallel District Court action in Wisconsin, *Motorola Mobility, Inc. v. Microsoft Corp.*, No.
 8 3:10-cv-00700-wmc (W.D. Wis.), which is now stayed by agreement in view of the ITC
 9 Investigation. The ITC action is scheduled for hearing in October of this year and for a final
 10 determination on May 23, 2012. As discussed below, the ITC proceedings are likely to be
 11 determinative as to all the disputes between the parties.

12 In response to Microsoft's Statement of the Case, Motorola submits that Microsoft is
 13 attempting to accord one of its defenses to Motorola's patent claims — its RAND defense — an
 14 inappropriate primacy of importance and significance. The RAND should be treated the same
 15 way as any other affirmative defense in a patent action. Microsoft's breach of contract and
 16 promissory estoppel claims are an attempt to realign the normal course of a patent infringement
 17 lawsuit, and ultimately to prevent Motorola from addressing Microsoft's underlying patent
 18 infringement. If any part of the case should be phased and/or held in abeyance, it should be
 19 Microsoft's RAND claims. The complexity of attempting to set a RAND rate, the uncertainty
 20 surrounding how that should be done, and the hypothetical nature of how the results of any
 21 such inquiry will affect further proceedings between the parties, strongly argue for deciding the
 22 patent claims first. It is far more likely that resolution of the patent claims will lead to earlier
 23 termination of litigation than it is for resolution of RAND issues to do so.

1 This is particularly so because Microsoft never applied for a RAND license, refused to
 2 negotiate for such a license, and instead brought suit against Motorola, and therefore Microsoft
 3 has rejected the opportunity — and requirement — to negotiate RAND license terms with, and
 4 obtain a RAND license from, Motorola, even though such negotiations are what the standards
 5 bodies expect. Thus, the supposed benefits of first embarking on an unprecedented RAND
 6 rate-making proceeding (*e.g.*, “to cap Motorola's claim for patent damages”) is no longer even
 7 available to Microsoft.

8 Microsoft’s breach of contract theory relies solely on two letters sent by Motorola to
 9 Microsoft that offered to license Motorola’s “essential” patents on RAND terms and proposed
 10 a royalty rate to be applied to relevant Microsoft products. The letters proposed no other terms
 11 — those terms were left for the parties to establish during the negotiations contemplated by the
 12 standards organizations and that Motorola anticipated would take place. Microsoft contends
 13 that these opening proposals were so unreasonable as to justify Microsoft’s decision to sue
 14 Motorola rather than to engage in licensing negotiations. But the reasonableness of any offer
 15 by Motorola, and the issue of whether such offer is discriminatory, is inherently factual in
 16 nature. As a result, there will be material facts in dispute that will bar any attempt to resolve
 17 this dispute via summary judgment. Further, when these issues go to trial, the facts will not
 18 support Microsoft’s claims.

19 2. ADR Method: The Parties believe that a party-appointed mediator as described
 20 in Local Rule 39.1(b)(3) should be the initial method of alternative dispute resolution. The
 21 parties note that they are involved as parties in a number of other actions in this and other
 22 forums, some of which also require the parties to participate in ADR proceedings. In an action
 23 pending in the Southern District of Florida, the parties have agreed to retain Edward Infante of
 24 the San Francisco office of JAMS to mediate the disputes between the parties. This mediation
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1 is scheduled to take place on July 12, 2011. Although the Florida action does not relate to the
2 subject matter of this case, the parties currently expect that this mediation will address all
3 disputes between the parties, including the disputes in this action.

4 3. ADR Timing: The mediation required by the Southern District of Florida must
5 take place before August 3, 2011, and the parties currently expect the mediation before retired
6 Magistrate Judge Infante to take place on July 12, 2011.

7 4. Deadline for Joining Additional Parties: The Parties propose that any additional
8 parties be joined by no later than August 5, 2011.

9 5. Discovery:

10 A. The Parties conducted a FRCP 26(f) conference on January 12, 2011 and
11 served their initial disclosures on February 7, 2011. In the former 2:11-cv-00343-JLR action,
12 now consolidated in this action, the parties conducted FRCP 26(f) conferences on February 3
13 and May 17, 2011, and served Initial Disclosures on February 17, 2011.

14 B. The subjects on which discovery may be needed and whether discovery
15 should be conducted in phases or be limited to or focused upon particular issues:

16 Microsoft's Position

17 Microsoft proposes that discovery be conducted in two phases.

18 The first phase should last until November 1, 2011 (the "Initial Discovery Period"), and
19 be limited to discovery related to Microsoft's RAND-based claims. At the conclusion of the
20 Initial Discovery Period, Microsoft anticipates filing a motion for summary judgment on the
21 topics addressed below (to be filed no later than November 10, 2011). Once the Court has
22 ruled on Microsoft's motion for summary judgment, the second discovery phase will
23 commence. Discovery during this second phase will be aimed at any issues remaining in the
24 case, including any patent infringement claims and any remaining RAND-related issues.
25

1 At its heart, this action is primarily a licensing dispute between the parties. The Court
2 will be asked to determine whether Motorola has breached its contractual commitments by
3 offering a non-RAND royalty in both cases. Making this determination of breach early
4 (potentially on summary judgment) may result in negotiation of a RAND royalty, or will lead
5 to a trial in which a RAND royalty is determined for the RAND patents at issue. See Court's
6 June 1, 2011 Order (noting that "if the parties do not negotiate a RAND rate, this Court will
7 need to issue a RAND rate to determine the damages in both cases"). Microsoft believes that
8 early resolution of the RAND rate could effectively take place in advance of (and could reduce
9 the scope of) the Markman hearing on the patent side of the case.

10 Upon conclusion of the Initial Discovery Period, Microsoft anticipates filing a motion
11 for summary judgment asking the Court to find that Motorola was obligated to, but failed to,
12 offer Microsoft a license on RAND terms and conditions. Summary resolution of this issue
13 would very likely lead to negotiation of a RAND royalty or, alternatively, a trial to determine a
14 RAND royalty. Either result could remove the RAND-related patents from the balance of the
15 dispute, streamlining additional discovery and otherwise reducing the scope of the Parties'
16 dispute. Following a decision on Microsoft's motion, the Court could revisit the sequencing of
17 discovery on all remaining claims.

18 If a trial of the issue of breach and/or of a RAND royalty is necessary, Microsoft
19 believes that it is likely to be appropriate for the Court to bifurcate that trial from a later trial of
20 the other patent issues under Fed. R. Civ. P. 42, staying discovery related to the infringement
21 claims (including those relating to the RAND patents) pending the first trial. Setting a RAND
22 rate could obviate infringement issues relating to the RAND patents since a license could
23 result. This approach was taken in *Ericsson Inc. v. Samsung Electronics Co., Ltd.*, No. 2:06-
24 CV-63, 2007 U.S. Dist. LEXIS 29257 (E.D. Tex. Apr. 20, 2007) under nearly identical
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1 procedural circumstances. As the court recognized, “[i]t may be that the outcome of the
2 FRAND case does not resolve all of the parties’ disputes in the present suit. Nevertheless, the
3 possibility that resolution of the FRAND case might alleviate many of the primary differences
4 between these two parties is sufficient to counsel the court” to bifurcate the matter. *Id.*, at *7.
5 The court found that the RAND-based breach of contract claims should be tried first, in the
6 interest of “expedition and economy,” with the patent infringement claims stayed pending the
7 outcome of the initial trial. *Id.*, at *8. Three months after the court entered its order
8 bifurcating the RAND and patent claim trials, the parties settled their disputes. *Id.*, No. 2:06-
9 CV-63, Dkt. No. 82. Motorola’s argument that the court in *Ericsson* was mistaken in ordering
10 bifurcation is contradictory to the position Motorola took earlier in this litigation, when
11 Motorola argued that its patent infringement claims were not compulsory counterclaims and
12 could be tried separately from Microsoft’s RAND-based claims. *See, e.g.*, Motorola’s
13 Opposition to Microsoft’s Renewed Motion to Dismiss in the former 2:11-cv-00343-JLR
14 action (ECF No. 79), at p. 1 (in which Motorola argued that “[t]here is no sound reason why
15 [Motorola’s] Patent Action cannot proceed as a separate action”).

16 Microsoft further believes that the parties should be limited to 10 depositions and 25
17 written interrogatories each during the initial discovery period, as provided in FRCP 30 and
18 FRCP 33. The issues related to Microsoft’s RAND-based claims are straight-forward and
19 primarily legal in nature, and there is currently no need to depart from the presumptive limits
20 set forth in the Federal Rules of Civil Procedure with respect to those claims. To the extent
21 either party believes that additional depositions or interrogatories may be needed, that
22 party may seek leave of the Court pursuant to Rule 26(b)(2)(A).

23 For the second phase of discovery, Microsoft proposes that the parties revisit whether
24 and to what extent additional discovery is needed on the parties’ patent infringement claims
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1 once the Initial Discovery Period is complete and the Court has ruled on Microsoft's motion
2 for summary judgment. Microsoft notes that, to date, Motorola has served 19 interrogatories
3 and 199 requests for production, and Microsoft has served 13 interrogatories and 174 requests
4 for production, relating to the Parties' patent infringement claims. Any deadlines for serving
5 or supplementing a Party's responses to the other Party's patent infringement-related discovery
6 requests should be tolled during the Initial Discovery Period.

7 Motorola's Position

8 Microsoft's proposal for an initial phase of discovery limited to RAND-based claims
9 would result in piecemeal conduct of litigation, which is the exception not the rule, and
10 Microsoft bears the burden of proof to justify it. *Output Technology Corp. v. Dataproducts*
11 *Corp.*, 1991 U.S. Dist. LEXIS 20168 (W.D. Wash. Nov. 25, 1991). As is usually the case,
12 phased discovery and bifurcation are unwarranted here for a number of reasons. As this Court
13 noted in its June 1, 2011 Order consolidating the actions (ECF No. 66), there are factual
14 overlaps and common questions of law as between the RAND and patent claims. Attempting
15 to bar discovery on some issues while going forward on others will spawn ancillary motion
16 practice over the proper scope of discovery that will consume time and expense. Also, for
17 discovery that is delayed, the potential loss of documents and fading recollections of witnesses
18 will create needless difficulties. Motorola is entitled to discovery and trial on its patent claims
19 according to a normal schedule without the unnecessary delays imposed by Microsoft's
20 scheme.

21 Microsoft proposes to conclude its proposed initial phase with summary judgment
22 motions directed to RAND issues. As stated above, any such motion faces complex fact
23 disputes in an area that has thus far been untouched by any Court. There is no reasonable
24 expectation that such motions will be granted. Moreover, the relief sought by Microsoft's
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1 motion will at most require Motorola to make a new RAND offer — the Court is not being
2 asked to determine that offer. It is totally speculative what would happen after that — whether
3 Microsoft would accept the offer; whether the parties would negotiate; at what point the Court
4 would be called in to determine a rate. Thus, the so-called initial phase is actually the first of a
5 multi-phase Court-supervised negotiation process of indefinite length and uncertain outcome.
6 Granting that one possible end of such a procedure would be Court-ordered RAND terms, even
7 then there the matter is not over, because Microsoft could still decline to license the patents in
8 suit, given its noninfringement and invalidity averments.

9 Microsoft's reliance on *Ericsson Inc. v. Samsung Electronics Co.*, No. 2:06-cv-63,
10 2007 WL 1202728 (E.D. Tex. Apr. 20, 2007), is misplaced. The Court in *Ericsson* heavily
11 relied on a Delaware federal court decision that suggested that RAND issues were distinctly
12 separable from patent issues, *id.* at *2. That unpublished case, *Nokia Corp. v. Qualcomm, Inc.*,
13 No. Civ. A 06-509, 2006 WL 2521328 (D. Del. Aug. 29, 2006), remanded an action seeking to
14 set a RAND rate from the Delaware federal court to the Delaware Chancery Court, on the
15 ground that no patent issues were involved. The opinion discussed the RAND issue only
16 fleetingly and its only citation was to a case that did not involve standards-essential patents.
17 *Id.* at *1-2. Moreover, the *Ericsson* Court did not take into account the subsequent history of
18 the *Nokia v. Qualcomm* dispute: upon remand, the *Nokia* state court subsequently found that a
19 patent analysis *is necessary* to RAND royalty issues. *Nokia Corp. v. Qualcomm, Inc.*, C.A.
20 No. 2330-VCS, DktDocket Entry. 316 at 25-26 (Del. Ch. Oct. 17, 2007). Because Nokia
21 would not stipulate to the validity and infringement of the patents at issue, it was forced to
22 tailor narrowly its RAND claim to avoid implicating RAND royalty issues. (The case settled
23 on the eve of trial, with Nokia paying \$2.3 billion, plus 15 years of ongoing royalties, to
24 Qualcomm).

1 Thus, as discussed above, Motorola submits that discovery on all issues should proceed
2 as in a normal litigation. The parties' patent discovery will be directed to, *inter alia*: (i) the
3 proper construction of the claims of the patents asserted by the parties; (ii) whether any of the
4 patents asserted by Motorola Mobility and General Instrument is infringed by any of
5 Microsoft's products; (iii) whether any of the patents asserted by Microsoft is infringed by any
6 of Motorola Mobility's and General Instrument's products; (iv) whether any of the asserted
7 patents by any party is invalid or unenforceable; and (v) other affirmative patent defenses.

8 Included in the affirmative defenses are Microsoft's affirmative defenses and
9 counterclaims related to RAND, which will directed to an inquiry whether Motorola Mobility,
10 Motorola Solutions and General Instrument have complied with any alleged obligations in
11 connection with their activities in standards-setting and related organizations. This will
12 include an inquiry as to any obligation to offer a license to Microsoft under the asserted
13 patents, based on reasonable and non-discriminatory ("RAND") terms.

14 Contrary to the oversimplified view that Microsoft puts forward, the determination of a
15 RAND rate for Motorola's domestic and foreign 802.11 and H.264 portfolios, or a portion
16 thereof, will be a complex task, will require significant discovery from Microsoft and
17 Motorola, and will likely also include discovery from many non-parties who have licensed or
18 offered to license similar essential patents on RAND terms. Discovery likely will be directed
19 to, *inter alia*: (i) Motorola's and Microsoft's efforts to license necessary or essential patents to
20 others on RAND terms pursuant to any obligations to the IEEE, ITU, and their members; (ii)
21 competitive technologies at the time of the relevant standard setting events and today; (iii)
22 comparable licenses offered and/or granted by non-parties under the same intellectual property
23 rights requirements or similar requirements of IEEE, ITU and other standards setting
24 organizations such as the ETSI; and (iv) the relative import of the patented features in the
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1 accused products. Moreover, after fact discovery of parties and non-parties is conducted, time
2 must be allocated for experts to review the discovery, prepare reports, and be deposed.

3 Significantly, the Standards Organizations whose rules Microsoft relies on for its
4 RAND defense have totally disavowed any role in the promulgation of rules or guidelines
5 defining what "RAND" terms are, how RAND terms should be determined, or what terms
6 might be considered exemplary or even acceptable. Moreover, no court has actually
7 determined a RAND rate or RAND terms. Although commentators have discussed how RAND
8 rates and terms may be set, they emphasize the complexity that would have to be involved in
9 such a determination.

10 If phased discovery and bifurcation is a course that the Court desires to seriously
11 consider, Motorola requests that the Court provide for a briefing schedule on this issue, prior to
12 final determination regarding such a course. If anything, it would make more sense to phase
13 the case such that the patent issues are tried first. The resolution of the patent issues will likely
14 obviate the need to embark on the complex RAND analysis. On the other hand, if the Court is
15 inclined to implement Microsoft's phased discovery proposal without further briefing,
16 Microsoft's proposed cut-off date for discovery on RAND issues is too short. As Motorola
17 proposed in the previous March 14, 2011 Supplemental Status Report (ECF No. 59), this is a
18 novel action. No Court has adjudicated a RAND licensing rate and, accordingly, there is no
19 body of judicial law on which the parties can predicate discovery. Discovery in this action will
20 plow new ground and likely will be complex. Accordingly, Motorola anticipates that
21 discovery on RAND issues alone should extend to February 1, 2012.

22 The best course for this case is to proceed in the normal fashion, treating this case as a
23 patent case with RAND defenses, and scheduling discovery, claim construction, summary
24 judgment motions, expert reports and trial in accord with the local rules of this District and this
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1 Court. To that end, Motorola submits at Tab A, a proposed schedule for the case. As
 2 discussed, Microsoft's proposal to bypass this normal procedure with a multiphase RAND-
 3 focused procedure is fraught with problems and uncertainties. Although Microsoft's goal of
 4 avoiding litigation if it is unnecessary is a laudable one, there are two scenarios already in
 5 place that better serve that goal. First, as discussed in Paragraphs 2 and 3 above, a mediation is
 6 scheduled, pursuant to ADR procedures in an ongoing case in the Southern District of Florida
 7 between the parties. Other ADR procedures are in place in the ITC proceeding. Second, as
 8 noted above, the ITC proceeding is scheduled for hearing this October, and for final
 9 determination on May 23, 2012. Motorola submits, and common sense suggests, that
 10 developments in the ITC proceeding between October and May will likely be outcome
 11 determinative as to all disputes between the parties.

12 C. What changes should be made in the limitations on discovery imposed
 13 under the Federal and Local Civil Rules, and what other limitations should be imposed;

14 Microsoft's Position

15 Motorola overstates the complexity of the contract-based RAND issues, which can be
 16 resolved relatively quickly and efficiently as compared to a full-blown patent case on the
 17 allegedly essential Motorola patents at issue. RAND commitments are intended to streamline
 18 the licensing of patented technology that has been incorporated into a standard in such a way
 19 that is not compatible with Motorola's approach to this case. Microsoft's position with respect
 20 to discovery is as described above in Paragraph 5B.

21 Motorola's Position

22 In addition to the discussion above in Paragraph 5B, Motorola submits that in light of
 23 the fact that there are five patents, at least three families of accused products, and the presence
 24 of the complex RAND issues in this action, there should be provisions for extensive discovery
 25

1 in this action, including permission for the parties to take 35 depositions and propound 50
2 interrogatories.

3 D. A statement of how discovery will be managed so as to minimize
4 expense (e.g., by foregoing or limited depositions, exchanging documents informally, etc.):

5 Microsoft's Position

6 As described above in Paragraph 5B.

7 Motorola's Position

8 As described above in Paragraph 5B.

9 E. Any other orders that should be entered by the Court under FRCP 26(c)
10 or under Local Rule CR 16(b) and (c).

11 The Parties filed a proposed Protective Order Regarding the Disclosure and Use of
12 Discovery Materials on April 22, 2011. (ECF No. 64). The Court has not yet entered the
13 Order.

14 6. Date of Discovery Completion:

15 Microsoft's Position

16 Microsoft anticipates that the Initial Discovery Period can be completed by November
17 1, 2011, with Microsoft filing its anticipated motion for summary judgment by November 10,
18 2011. Microsoft proposes that, after the Court rules on Microsoft's anticipated motion for
19 summary judgment, the Parties submit a revised joint status report setting forth the additional
20 discovery deadlines, including deadlines for propounding additional discovery and for
21 exchanging expert witness reports for issues that may remain in the case (e.g., patent
22 infringement issues and/or appropriate royalty).

1 Motorola's Position

2 Motorola believes that discovery should go forward on all issues in the normal course.
3 As provided for in the attached schedule, Motorola submits that discovery completion be set
4 for May, 2012.

5 7. Magistrate Judge Referral: The Parties do not agree to referral of the case to a
6 magistrate judge.

7 8. Bifurcation:

8 Microsoft's Position

9 As described above in Section 5B, Microsoft's current belief is that discovery should be
10 sequenced with only RAND-related discovery occurring during the Initial Discovery Period.
11 Depending on how the Court rules on Microsoft's anticipated motions for summary judgment
12 (which are described below in Section 10), Microsoft believes that bifurcation may be
13 appropriate, for the reasons discussed by the court in *Ericsson Inc. v. Samsung Electronics Co.,*
14 *Ltd.*, No. 2:06-CV-63, 2007 U.S. Dist. LEXIS 29257 (E.D. Tex. Apr. 20, 2007).

15 Motorola's Position

16 Motorola believes that there is no justification for bifurcation.

17 9. Pretrial Statement/Orders: The Parties agree that Pre-Trial Statements and
18 Orders called for by Local Rules CR 16(e), (h), (i), and (l), and 16.1 should not be dispensed
19 with in whole or in part.

20 10. Suggestions for Case Simplification or Shortening:

21 The Parties will work cooperatively to identify any opportunities to streamline the case,
22 including exploring the possibility of stipulating to any undisputed facts. Each Party will also
23 consider whether any issues can be resolved prior to trial via the filing of dispositive motions.
24 In addition:
25

1 Microsoft's Position

2 Microsoft believes that the development and presentation of the factual and legal issues
3 relevant to its RAND-based claims should be relatively straight-forward. Microsoft anticipates
4 filing dispositive motions on at least the following two issues at the end of the Initial Discovery
5 Period and by no later than November 10, 2011, which Microsoft expects could substantially
6 narrow the issues for trial or obviate the need for trial entirely:

- 7 (1) Whether Motorola was obligated to offer licenses to Microsoft for any of the
8 patents they asserted were essential to the 802.11 WLAN wireless internet
9 standard and the H.264 video compression standard on reasonable and non-
10 discriminatory (RAND) terms and conditions; and
11 (2) Whether Motorola violated its RAND obligations by demanding that Microsoft
12 pay a royalty of 2.25 percent per unit, based on the price of each end-product
13 incorporating the allegedly essential patent.

14 Attempting to address the parties' patent infringement claims at the same time as the
15 breach of contract claims will drastically increase the costs to the parties and complicate the
16 discovery process during the Initial Discovery Period, especially where determination of
17 whether Motorola has met its licensing obligations may lead to resolution of many – if not all –
18 of the Parties' disputes. For instance, if the Court determines that Motorola has breached its
19 contractual commitments by failing to offer Microsoft a license to its H.264-related patents on
20 RAND terms and conditions, Motorola will instead be obligated to offer Microsoft RAND
21 terms. To the extent the parties are unable to reach agreement on RAND terms and conditions,
22 the issue can be determined at an early trial that would also serve to cap Motorola's claim for
23 patent damages.

1 Once the Court rules on Microsoft's anticipated motion, the Parties will be in a position
 2 to address any remaining scheduling issues in a revised joint status report. Any such report
 3 will include the patent-related deadlines contemplated by the Local Patent Rules and this
 4 Court's Standing Order for Patent Cases.

5 Motorola's Position

6 This action should be treated normally, without phased discovery or bifurcation of trial.
 7 As to Microsoft's RAND defenses, Motorola believes that the development and presentation of
 8 factual and legal issues relevant to that dispute will plow new ground and are complex (indeed,
 9 have never been attempted by any court in the United States). Motorola expects to
 10 successfully oppose any summary judgment motions filed by Microsoft, particularly the above
 11 described motions related to fact-intensive RAND issues.

12 11. Trial Readiness:

13 Microsoft's Position

14 Microsoft believes that the Initial Discovery Period should continue through November
 15 1, 2011, with Microsoft being ordered to file any dispositive motion on the subjects identified
 16 in Paragraph 10, above, by November 10, 2011. Once the Court has ruled on Microsoft's
 17 motion for summary judgment, the Court can direct the Parties to propose a revised joint status
 18 report that addresses any claims or issues that may remain in the case.

19 Microsoft believes that the trial on the patent infringement claims, if necessary, could
 20 occur in November 2012, the same month Motorola proposes for trial in this matter.

21 Motorola's Position

22 This action should proceed to trial according to a normal schedule without phasing or
 23 bifurcation. As provided for in the attached schedule, Motorola submits that trial could be set
 24 for November 2012.

1 12. Jury Trial: Motorola requests a jury trial on the patent claims.

2 13. Trial Days:

3 Microsoft's Position

4 Depending on the claims that remain to be tried after the Court rules on Microsoft's
5 motion for summary judgment, Microsoft believes that the trial can likely be completed in 4-6
6 days. However, Microsoft reserves the right to revise this estimate based on the outcome of
7 Microsoft's anticipated motion for summary judgment, described above in Section 10.

8 Motorola's Position

9 Motorola believes that the trial can be completed in 8-10 days.

10 14. Name and address of all trial counsel:

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11 15. Service: The defendants have been duly served with the complaints in both
12 actions.

13 16. Scheduling Conference: The Parties do not anticipate the need for a scheduling
14 conference at this time, but reserve the right to request such a conference if and when the need
15 arises.
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DATED this 17th day of June, 2011.

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I. Motorola's Proposed Schedule

Deadline	Motorola's Proposed Dates
Deadline to Disclose Preliminary Infringement Contentions & Disclosure of Asserted Claims	September 2, 2011
Deadline to Disclose Preliminary Invalidity Contentions	September 30, 2011
Deadline to Exchange Expert Witness Reports on Markman Issues (if necessary)	November 16, 2011
Deadline to Exchange Rebuttal Expert Witness Report on Markman issues (if necessary)	December 16, 2011
Deadline to Exchange Preliminary Claim Charts	December 30, 2011
Deadline to File Joint Claim Chart and Prehearing Statement	January 27, 2012
Deadline to File Opening Markman Briefs	February 10, 2012
Deadline to File Response Markman Briefs	March 2, 2012
Claim Construction Hearing	March 30, 2012
Completion of Discovery	May 11, 2012
Deadline to Exchange Opening Expert Reports for which party bears burden of proof	May 25, 2012
Deadline to Exchange Rebuttal Expert Reports for which party bears burden of proof	June 22, 2012
Deadline to File Dispositive Motions	July 20, 2012
Trial	November 5, 2012